

NOTE: Revisions to the 12/7/99 chart are underscored.

ACT 71, Session Laws of Hawaii (SLH) of 1999 AND ACT 198, SLH 2000
GENERAL EXCISE TAX PYRAMIDING RELIEF FOR WHOLESALING OF GOODS, SERVICES, AND AMUSEMENTS
PUBLIC SERVICE COMPANY TAX PYRAMIDING RELIEF FOR A TELECOMMUNICATIONS PUBLIC UTILITY AND MOTOR CARRIERS
QUALIFYING/INELIGIBLE TRANSACTIONS BY INDUSTRY
 Prepared by DOTAX, State of Hawaii

G.E.T. ACTIVITY ABBREVIATIONS	QUALIFYING TRANSACTIONS		INELIGIBLE ACTIVITIES UNDER ACT 71, SLH 1999 or ACT 198, SLH 2000 Examples	INELIGIBLE PURCHASES
	Current (½%)	New (lower rate)		
AMUSE: Amusement HRS §237-4(13) and 237-13(4)* “Amusement” means entertainment provided as part of a show for which there is an admission charge. Subcontracted amusement sold with food and beverage is deemed to be an admission charge.	<u>Not Applicable.</u>	<u>AMUSE--SVC</u> <u>AMUSE--TPP</u> <u>AMUSE--AMUSE</u>	<u>Amusement provided without charge.</u>	Overhead
TPP: Tangible personal property (including manufacturing of) HRS §237-13(1)	TPP -- SVC HRS §237-4	TPP -- SVC	Sales Representatives Commissions HRS §237-13(5)	SVC not resold
SVC: Services HRS §237-13(6)	SVC -- SVC HRS §237-13(6)	TPP -- TA	Leasing/Rentals HRS §237-13(10)	SVC not identifiable
K: Contracting HRS §237-13(3)	SVC -- TPP (MANUFACTURER) HRS §237-18(c)	SVC -- SVC	Subject to public service company (PSC) tax	TPP not resold
TA: Transient Accommodations HRS §237D-1 (furnishing a room, suite, apartment, or the like)		SVC -- TPP	Activities allowing income splitting: ●Subcontract deduction (HRS §237-13(3)) ●Tourism related services (HRS §237-18(f)) ●Real estate brokers (HRS §237-18(e))	TPP not identifiable
		SVC -- K		Overhead
		SVC -- TA		
PUBLIC SERVICE COMPANY TAX ACTIVITY ABBREVIATIONS	QUALIFYING TRANSACTIONS UNDER ACT 198, SLH 2000			
	Current (½%)	New (lower rate)		
PSC: Public utility HRS §239-5	<u>Sale by a public utility to another public utility for resale.</u>	<u>Sale of telecommunications services by a telecommunications public utility to a long-distance telecommunications provider (PSC--SVC)</u>		
PSC: Motor carriers HRS §239-6	<u>Not Applicable.</u>	<u>PSC--K</u>		

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
HOTELS				
Bedding and towels for hotel guest rooms.	✓		✓ (overhead)	
Laundry service of sheets and towels for hotel guest rooms.	✓			✓(SVC--TA)
<u>Laundry service of table cloths and linen used for hotel room service (food).</u>	✓		✓ (overhead/consumed)	
Leasing company providing laundered sheets and towels for hotel guest rooms (leasing reported as SVC).	✓			✓(SVC--TA)
Maid services purchased by hotel for executive offices.	✓		✓ (overhead)	
Maid services purchased by hotel to clean guest rooms.	✓			✓(SVC--TA)
Employees leased to staff hotel front desk.	✓		✓ (overhead)	
Furniture (subject to depreciation) in hotel guest rooms.	✓		✓ (overhead)	
<u>Fixtures/supplies sold to hotel for guest use in hotel room (ash trays, pots, cooking and eating utensils, shower curtains, blow dryers, toasters, irons, ironing boards)</u>	✓		✓ (overhead)	
<u>Cleaning chemicals, supplies (sponges, gloves, vacuum cleaner bags), and tools (mops, cleaning brushes, vacuum cleaners) sold to hotel for use by hotel staff to clean guest rooms.</u>	✓		✓ (overhead)	
In-room amenities (shampoo, soap, etc.) and toiletries (tissue, toilet paper); guests may take home.	✓			✓(TPP--TA)
<u>Amenities with hotel logo provided to guests for free (luggage tags, caps, mugs, shirts)</u>	✓			✓(TPP -- TA)
Toiletries and toiletry paper goods in hotel's public and employee areas.	✓		✓ (overhead/not for TA)	
<u>Band hired by hotel events office to provide music for a dinner concert.</u>	✓			✓(AMUSE -- TPP)*

* Act 198, SLH 2000

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
<u>Band hired by hotel catering office for customer's banquet at hotel ballroom. (Sale of food and beverage for the banquet is deemed to be an admission charge.)</u>	✓			✓(AMUSE--TPP)
<u>Band hired by hotel catering office for customer's rental of hotel ballroom.</u>	✓		✓(AMUSE--rental does not qualify)	
<u>Band or hula halau performing in hotel lobby or open area. (Viewed free without admission charge)</u>	✓		✓(overhead/not for TA)	
<u>Band hired by bride and groom for their wedding reception at hotel ball room.</u>	✓		✓(2 party retail sale)	
Aerial fireworks display conducted for hotel.	✓		✓(overhead/not for TA)	
Local telephone calls provided by hotel.	✓		✓(PSC)	
In-room glass wear and china (not for guests to take home).	✓		✓(overhead/not resold)	
Keys and electronic locks for guest rooms.	✓		✓(overhead/not resold)	
Arrival/departure leis for guests.	✓		✓(not for TA)	
Newspapers provided for free to guests.	✓			✓(TPP--TA)
<u>In room telephone directory for hotel services.</u>	✓			✓(TPP -- TA)
Floral arrangements and other perishable decorations in guest room.	✓			✓(TPP--TA)
Contracted parking valet labor.	✓		✓(not just for guests)	
Contracted shuttle/limousine services.	✓		✓(PSC)	
Contracted airport greeting services.	✓		✓(not for TA)	
Contracted child care services (e.g., clowns/magicians for hotel guests).		✓		✓(Intermed SVC ½%)
Contracted masseuses or personal trainer labor.		✓		✓(Intermed SVC ½%)
Contracted beach & pool attendant labor.	✓		✓(not for TA/not resold)	

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
Rental of audio/visual equipment or decorations for customer renting banquet hall.	✓		✓(not for TA/rental ≠ SVC)	
Floral, ice carvings, and other decorations provided to customer renting banquet hall (separate from rental fee).	✓		✓(rental of banquet hall)	✓(TPP -- SVC) (if hotel reports sale of floral, ice carvings, and other decorations to customer as service)
Silver cake knife & other amenities as part of a packaged banquet hall function.	✓		✓(not for TA/rental ≠ SVC)	
RESTAURANTS (Classification: Retailing of TPP) & NIGHT CLUBS (Classification: Theater Amusements)				
China, silverware, menu covers.	✓		✓(overhead/consumed)	
Table linen.	✓		✓(overhead/consumed)	
Laundry service for table linen.	✓		✓(overhead/consumed/not identifiable in food)	
Leased and laundered linen for patron tables.	✓		✓(overhead/consumed/not identifiable in food)	
Toiletries and toiletry paper goods in public and employee areas.	✓		✓(overhead/consumed)	
Disposable utensils, napkins, straws, chopsticks, beverage stirrers.	✓		✓TPP--TPP not a favored transaction)	
Prepackaged condiments.		✓(Act 173, SLH 1999)		✓(½%Act 173)
After dinner mints.	✓		✓(TPP--TPP not a favored transaction)	
Musician performs at restaurant and receives commission as payment (percentage of bar tab).	✓		✓(Commission income)	
Independent Contractor DJ or VJ in club (w/ cover charge).	✓			✓(AMUSE -- AMUSE)*
Music and entertainment at a dinner show (ticket price includes show and meal).	✓			✓(AMUSE -- TPP*)
Aerial Fireworks Display over city or ocean.	✓		✓(overhead)	

* Act 198, SLH 2000

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
CONTRACTING				
Site or building clean up service for final acceptance.	✓			✓(SVC -- K)
Site security for a specific project site.	✓			✓(SVC -- K; site specific)
Balancing of air conditioner (SVC) as part of construction project.	✓			✓(SVC-- K)
Chlorination of plumbing system as part of construction project.	✓(Sub-K)		✓(Sub-K)	
Archeologist report to architect for project site.	✓			✓(SVC -- K)
Environmental impact study done for an architect for a specific project.	✓			✓(SVC -- K)
Hauling top soil to construction site.	✓			✓(PSC--K)*
Hauling building materials from project site.	✓			✓(PSC--K)*
Hauling trash away from project site.	✓			✓(SVC -- K)
Rental of trailer or equipment for contractor's office on job site.	✓		✓(rental ≠ SVC)	
Service provider pumps grout from trucks to contractor's forms.	✓			✓(SVC -- K)
Truck leasing, long term.	✓		✓(leasing ≠ SVC)	
Truck rental, short term, project specific.	✓		✓(rental ≠ SVC)	
Blueprints drawn by architectural firm.	✓(Sub-K)		✓(Sub-K deduction)	
Interior designer subs carpet removal to carpet laying contractor.	✓		✓(K -- SVC; resold K ineligible)	
<u>Carpenters provided by a temporary employment agency to a contractor for a specific job.</u> (Note: Contractor cannot take subcontract deduction for amounts paid to the agency)	✓			✓(SVC -- K)

* Act 198, SLH 2000

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
MISCELLANEOUS SERVICE TRANSACTIONS				
Floor mats sold to an auto body shop for a customer's car.		✓		✓(½%)
Paint sold to an auto body shop for a customer's car.	✓			✓(TPP -- SVC)
Area rug sold to an interior designer for customer's lobby.	✓			✓(TPP -- SVC)
Fabric sold to an interior designer for refurbishing customer's sofa.	✓			✓(TPP -- SVC)
Auto body shop subs entire car repair project to another body shop.		✓		✓(½%)
Auto body shop subs only the sandblasting of car to another body shop.	✓			✓(SVC -- SVC)
Interior designer subs entire project to another designer.		✓		✓(½%)
Casting service creates foam core for surfboard manufacturer.		✓		✓(½%)
Freight service delivers casted surfboard core to manufacturer.	✓		✓(Freight = PSC)	
<u>Artist contracted by fabric manufacturer to produce textile illustrations that serve as blueprints for printing designs on fabric.</u>		✓(Intermed SVC ½%)		✓(Intermed SVC ½%)
Graphic artist designs a graphic image to be applied to a coffee mug.	✓			✓(SVC -- TPP)
Graphic artist designs a corporate logo to be applied to company coffee mugs, pencils, etc. (logo has value apart from placement on coffee mug, pencil, etc.)	✓		✓(logo = intangible; SVC consumed by company)	
Engraver inscribes wedding rings for a jeweler's customer.	✓			✓(SVC -- TPP)
CPA's preparation of a legal firm's partnership tax returns.	✓		✓(overhead/consumed)	
CPA performs services for an attorney preparing a legal opinion for a client.	✓			✓(SVC -- SVC)
<u>Marketing company studies declining sales for management consultant engaged by consultant's customer.</u>	✓			✓(SVC -- SVC)

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
<u>Employment agency provides paralegal or attorney to law firm and the paralegal's or attorney's hourly time entries are stated on bill to law firm's client.</u>	✓			✓(SVC -- SVC)
<u>Employment agency provides secretary to law firm.</u>	✓		✓(overhead)	
<u>Temporary accountant performing work for all attorneys in law firm.</u>	✓		✓(overhead)	
<u>Employment agency provides electrical engineer to information technology consulting firm to work on a project of consulting firm's client.</u>	✓			✓(SVC -- SVC)
<u>Laundry service for not-for-profit hospital.</u>	✓		✓(overhead/consumed)	
<u>Laundry service for for-profit hospital.</u>	✓		✓(overhead/consumed)	
<u>Lab A is requested by a physician to perform four lab tests that are used for a patient diagnosis. Lab A subcontracts one of the tests to Lab T. Lab T sends the test result to Lab A, who sends the four test results to the physician. (Pyramiding relief under Acts 71 and 198 applies to multi-level transactions such as this example.)</u>	✓(Labs A and T)			✓(Labs A and T SVC -- SVC)
<u>Same facts as the prior example, except that Lab A subcontracts the four lab tests to Lab T.</u>	✓(Lab A)	✓(Lab T- Intermed SVC ½%)	✓(Lab A-4%)	✓(Lab T-Intermed SVC ½%)
<u>Cleaning chemicals, supplies, and tools sold to janitorial service company for cleaning offices.</u>	✓		✓(overhead)	
<u>Janitorial services for office building managed by property management company.</u>	✓		✓SVC--commission	

DESCRIPTION OF SALES	LAW BEFORE JANUARY 1, 2000		ACT 71 or ACT 198 BEGINNING JANUARY 1, 2000	
	4%	1/2%	4%	LOWER TAX RATE
TELECOMMUNICATION SERVICES				
<u>Telecommunication access services sold by a telecommunications public utility to a long-distance telecommunications provider for resale.</u>	<u>✓(5.885% PSC)</u>			<u>✓PSC--SVC*</u>

act71-l.tbl

* Act 198, SLH 2000